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SUBJECT: WORLD BANK PLANS FUNDING SHIFT IN DRC

Classified By: EconOff Wendy Brafman, for reasons 1.4 b/d.

1. (C) Summary. World Bank (WB) representative Pedro Alba told emboffs that the Bank intends to shift its funding in the DRC from emergency rehabilitation projects to sectoral projects. The Bank is considering providing support for Rwanda's gas exploitation of Lake Kivu, but will insist that Rwanda first discuss this project with the DRC. The DRC and Rwanda have asked the Bank to mediate in any discussions that arise regarding this project. The Bank is working with the DRC to improve the process of paying demobilized Congolese combatants. It has not transferred any WB money to the DRC's Social Fund, and would support removal of the current Social Fund director. End Summary.

Lake Kivu Gas Exploitation

2. (C) Charge, PolCouns and EconOff met with Pedro Alba, Washington-based WB Country Director for South-Central Africa and Great Lakes on May 19. Alba first raised Rwanda's interest in exploiting natural gas in Lake Kivu and Rwanda's contract for this purpose with a private enterprise, DANE Corporation. Since two-thirds of the lake belongs to the DRC, Alba agreed that Rwanda must inform the GDRC of its intentions to proceed with the project. He stated that the Bank would only provide funds if Rwanda reaches a satisfactory agreement with the GDRC on gas extraction, and that funding would include an environmental assessment of Lake Kivu. Alba said that both Rwanda's and DRC's Ministers of Energy asked him to serve as intermediary in any talks between the GDRC and Rwanda on this matter.

World Bank Funding Plans

3. (C) Alba said that a new Resident Representative, Jean-Michel Happi, will begin his duties June 1, replacing Onno Ruhl, who left the DRC in May. Alba noted that the Bank wants to shift from funding ad hoc emergency projects in the DRC to planned sectoral projects, particularly in the areas of health, education and transport. Alba anticipates a more tense relationship between the Bank and the DRC because projects will increasingly focus on accountability and capacity building. Alba said the Bank will be more active in mining, forestry, public expenditure management and civil service reform, including improving the salary disbursement process. He said these operations should commence during the funding period July 2006 - June 2007. He also noted that the Bank is not comfortable with direct budgetary disbursement to the DRC and will continue to fund projects directly.

4. (C) Emboffs asked about the Bank's current plans in support of the Demobilization, Disarmament and Reintegration (DDR) process. Alba said that the Bank will sign an agreement with the DRC that aims to implement a new system to pay ex-combatants. It will increase its DDR staff in the DRC and will look for ways to assist with funding transport of demobilized, disarmed combatants. Alba noted that, while the Bank wants to fund projects that employ demobilized combatants, it is difficult to find longer-term projects that can effectively utilize unskilled labor. He also said it would be difficult to require that contracts with implementing entities contain contractual provisions that require hiring ex-combatants.

5. (C) Alba said that the Bank had not yet released any of the USD 60 million it had allocated for the DRC's Social Fund because the DRC's Vice Presidents do not support the Fund's activities, which they see as too politically weighted in President Kabila's favor. Also, the Bank (along with other donors) has concerns about the Social Fund director and would support her removal.

Comment

6. (C) Alba said the Bank shares the IMF's concerns about recent overspending, particularly on official travel. He noted that macroeconomic indicators seem to be stabilizing after significant declines that began in late 2004. The Bank is waiting for the IMF's Fifth Review assessment, and hopes it will be positive enough to enable the Bank to resume disbursements this year. End Comment.

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